



MAKING GOVERNMENT WORK BETTER

Meeting Report
February 16, 2006

PRESENT: Chair Reed, Member LeZotte, Member Cortese

EXCUSED: Member Yeager

Chair Reed called the meeting to order at 1:37 p.m.

Items were heard in the order given.

2. **FY 2005-06 Second Quarter Debt Report (Finance)**
The Committee accepted the report and forwarded the report to Council.
3. **FY 2005-06 Second Quarter Investment Report (Finance)**
The Committee accepted the report and forwarded the report to Council.
4. **External Auditor's Report on Single Audit and Management Letter on Internal Controls for Fiscal Year Ended June 30, 2005 (Finance)**
The Committee accepted the report and forwarded the report to Council. A summary of the reports is attached.
1. **Environmental Preferable Procurement Policy Annual Report (Finance)**
The Committee accepted the report and forwarded the report to Council.
5. **City-wide Grant Administration Audit (Auditor)**
Member Cortese recommended including Council HP Grants in future Audit Reports. Member Cortese added there may be non-profit grantees included in the Committee report grantee list that may also be included in the Council Office grantee list. To compare grant overlap, Gerald Silva, City Auditor, will obtain grants information from the City Clerk's Office and prepare a comparison report and report back to this Committee. Gerald Silva continued saying there is no central database on City-awarded grants and grantees. There is no City Department office coordination or information sharing regarding grantee reporting and performance. There were three recommendations and the Administration concurred with all of them. A Grant Management Working Group will be established to help provide grant oversight consistency. The Committee accepted the report to include comments from Member Cortese and Gerald Silva and forwarded the report to Council.
6. **Oral Petitions**
Bill Chew commented on Item # 3 and commended the MGWB Committee work. Vic Nakamoto commented on Item #5.

7. **Adjournment**

Meeting adjourned at 2:50 p.m.



**Chuck Reed, Chairperson
Making Government Work Better Committee**

Attachment:

Summary of Item #4 - External Auditor's Reports on Single Audit and Management Letter on Internal Controls for Fiscal Year Ended June 30, 2005 (Finance)

Summary of February 16, 2006 MGWB Agenda Item #4

External Auditor's Reports on Single Audit and Management Letter on Internal Controls for Fiscal Year Ended June 30, 2006

Committee heard presentation from Finance Staff and Macias & Gini, the City's external auditors and accepted the report.

Single Audit

A key part of this process is for the independent auditing firm to assure that grantees have complied with federal requirements. Macias & Gini audited the City's federal grants, including the Passenger Facility Charges. The auditor recommended that the City develop and implement policies to review and document subrecipient activities to ensure that none have been suspended or debarred from participating in federally funded programs. Management's response is that at the time of application, the grantee will be required to certify that they not been suspended or debarred. Prior to execution of the contract or grant agreement, staff will verify that the grantee is not listed on the list of excluded parties issued by the General Services Administration.

The Single Audit Act requires a status report on any prior year findings, of which there were none.

Internal Controls

The external auditor conducted a limited examination of the City's internal controls and management practices, looking for material weaknesses or reportable conditions that would require immediate disclosure. No material weaknesses or reportable conditions were found; however, some areas for improvement were identified as follows:

Recommend that the Finance Department, in coordination with the City Auditor, begin developing an internal controls management program similar to the type contemplated by Sarbanes Oxley Act. Management agrees that internal controls must be continually be examined and updated and will participate actively in discussions on this subject in the coming months.

The City did not maintain the required level of reserve for three different bonds due to an inadvertent miscalculation. Management agreed to institute a monthly review of reserve requirements and reserve accounts to identify any erroneous transactions and to ensure compliance with bond covenants.

Status of Prior Year Comments: There were four identified areas: Post-retirement health care benefits; Update of claims liability guidelines, Unresolved bank reconciliation activity, and repayment of net pension obligation. All four are in progress of being implemented. Another comment from the prior year regarding Completeness of the schedule of expenditures of federal awards was completed and implemented.